

TOWARD THE FREE TRADE AREA OF THE AMERICAS: THE RECORD AND FUTURE OF HEMISPHERIC INTEGRATION

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Thank you very much. I am very pleased to be here again at the Council of the Americas - it has been almost a year since our last meeting, and I very much appreciate this opportunity to update you on the events of the intervening months. This is also an especially appropriate time for us to take stock of hemispheric trade -- because, as it happens, we are meeting at a rather historic moment.

Three months ago, our negotiators in Miami began drafting the agreement that by 2005 will create the Free Trade Area of the Americas. This is, as many of you know, a concept that has been discussed throughout the Americas on many previous occasions, dating all the way back to Simon Bolivar in the earliest days of South American independence. It is only with the Summit of the Americas in 1994, however, that the idea moved from the realm of daydream to vision; and only in this millennial year have we brought the FTAA concept into the world of concrete negotiation.

THE EXPERIENCE OF HEMISPHERIC INTEGRATION

As we begin the new century, therefore, our negotiators are looking ahead to one of the most demanding trade negotiations in history: with the goal of a comprehensive agreement, addressing every major industry, commodity and trade issue from agriculture to goods, services, intellectual property, electronic commerce and more; linking 34 democracies and 800 million people; and covering nearly a third of the globe, from the Arctic Ocean to Tierra del Fuego and Easter Island to Nova Scotia.

This will be no simple task, and we should underestimate neither the technical nor the political challenges we will face in the next five years. But we should begin with the confidence that comes from shared ideals and common aspirations; and also from the practical experience we have gained in more than a decade of hemispheric integration.

Our negotiations build on experiments conducted in every part of the hemisphere. The United States has led in creating the Caribbean Basin Initiative and the Andean Trade Preferences Act; and has joined in the US-Canada Free Trade Agreement, and then the North American Free Trade Agreement. Others, including some of our partners in these initiatives, have joined in Caricom, the Central American Common Market and the Andean Community; Mercosur; and the

free-trade agreements completed by Chile, Mexico and others.

Each of these offers policy lessons and ideas to our negotiators. But their most important contribution has been to demonstrate in real life the shared prosperity, job creation, and strengthened security we will all draw from the FTAA project that will unite and transcend each of our initiatives to date.

CBI RECORD AND ENHANCEMENT

Today, Congress is very close to completing an enhancement of the Caribbean Basin Initiative. This has been a central Administration trade priority for several years, and we are very pleased to be near the finish line today, because when we review the record, we see that the CBI is one of the most successful trade programs in the world today.

When the CBI was enacted, the region's economies of the region relied on oil and coffee for close to 60% of their exports to the United States. This left them with reduced job opportunities and made the region's economies highly vulnerable to swings in commodity prices. This in turn contributed to the region's political instability, and ultimately to the Central American civil wars that were at the center of Latin American policy debates in the 1980s.

Fifteen years later, oil and coffee together make up only about 15% of Caribbean exports to the U.S., and are joined by semiconductors, apparel, computers, shrimp and many other products. This has reduced the economic insecurities posed by fluctuations in commodity prices; created jobs; built a larger tax base that supports education, environmental protection and health. In Nicaragua and El Salvador, parties that once fought on the battlefield now debate one another in elections and in Parliament. And the CBI deserves substantial credit for this transformation: as El Salvador's President Flores wrote a few months ago:

“enhanced trade with the United States has become critical to the region's ability to promote economic growth and to maintain social and political stability.”

We in the United States have benefitted as well, in practical economic terms as well as through a more stable and peaceful neighborhood. The growth created by the CBI helped to double U.S. exports to the Caribbean Basin over the last decade, to \$20 billion in goods a year.

NORTH AMERICAN FREE TRADE AGREEMENT

We see the same developments, on a larger scale, in the North American Free Trade Agreement. With eight years to go before it is fully implemented, it has already changed economic relations in North America fundamentally and for the better.

Since the US-Canada Free Trade Agreement, our trade relationship with Canada has been the largest two-way goods trade relationship anywhere in the world. And since 1993, when the

CFTA broadened into the NAFTA, our trade with Mexico has grown at a truly remarkable rate, from \$76 billion in 1993 to nearly \$200 billion in two-way trade last year.

To put this in context, our exports to Mexico alone now make up nearly one dollar in eight of our goods exports to the world. In February alone, \$8.4 billion worth of U.S. exports crossed our southern border to customers in Mexico. That is \$400 million worth of semiconductors in a single month; nearly 18,000 cars and trucks; \$42 million worth of surgical equipment, 200,000 tons of corn, and 177,000 golf balls together with 4,000 sets of clubs.

The agreement has thus contributed -- together, of course, with fiscal discipline, a broader opening of world markets embodied in nearly 300 trade agreements since 1992, and a commitment to education -- to a remarkable economic record. Since the NAFTA's passage, the U.S. has created 20 million new jobs. We have reversed 20 years of wage stagnation, with the average salary for a non-supervisory worker growing, in real dollars, by \$1,500. And, dispelling fears that a more fully open world market would reduce incentives to invest in the United States, we have seen real private investment in factories, equipment and technology rise nearly 80%, from \$680 billion in 1993 to over \$1.2 trillion last year.

Our partners benefit just as much. In economic terms, Mexican employment has grown by 2.2 million jobs between 1992 and 1998; and NAFTA has helped concentrate employment in higher-wage jobs, as research finds that Mexican export businesses pay wages an average of 30% above those of other firms. On a broader scale, since the early 1990s Mexico's infant mortality rates have dropped from 40 to 31 per thousand, and life expectancy has risen by two and a half years. Studies over a longer period of time find literacy rising and child labor rates dropping by nearly a third.

HISTORIC TRANSFORMATION

This historic transformation has touched the whole Western Hemisphere.

The effects of economic reform at home, and integration within the hemisphere, are reflected in the lives of families and working people. Since the early 1980s, virtually every country in Latin America has cut illiteracy and infant mortality, in some cases by half. Child labor rates have fallen sharply -- from 15% to 7% in Paraguay; 25% to 15% in the Dominican Republic; 10% to 5% in Costa Rica -- and life expectancy has grown by five years.

These effects are evident in the policies and governments of nations. Governments devote more of their resources to health and education. Every one of the 34 nations now participating in the FTAA has joined on the basis of a free choice made by an elected, democratic government.

And they are clear in greater long-term economic security. The strength of NAFTA during the peso crisis helped ensure Mexico's rapid recovery. More recently, it helped farmers and manufacturing workers in all three members avoid the worst of the consequences of the Asian

financial crisis. South American trade arrangements, notably Mercosur, did the same, helping to stabilize the economic recovery now underway in Brazil and Argentina.

TOWARDS THE FTAA

The lessons are very clear. Trade integration, accompanied by the appropriate domestic policies, has helped nations throughout the western hemisphere build healthier, more prosperous societies. It has helped to spark long-term economic development and address crisis. Ultimately, it has helped to make our Americas a more free, more democratic, and more peaceful region.

And this is the experience on which we build as the FTAA negotiations begin. Since the second Summit of the Americas in Santiago two years ago, we have been laying the foundation, proceeding deliberately and methodically through each preparatory step. We have kept to the schedule set by the elected leaders; and met each deadline along the road to the FTAA's completion by 2005.

- Over the course of 1998, we set up nine formal Negotiating Groups to cover each of the areas of the FTAA -- market access; competition policy; subsidies, anti-dumping and countervailing duties; intellectual property; government procurement; investment; agriculture; services; and dispute settlement -- with most FTAA participants serving as Chair or Vice Chair of a group at some point in the negotiations.
- Also in 1998 and into 1999, we solicited ideas and advice through the FTAA Committee on Civil Society -- the first such committee in any major international trade negotiation. This brought 68 formal submissions from each part of the hemisphere, ranging from the Council of the Americas to the National Association of Manufacturers and the AFL-CIO in the U.S., the National Congress of Trade Unions in the Bahamas, the Caribbean Coastal Area Management Foundation, the Panamanian Association of Engineers and Architects, Pontificia University in Colombia, farm groups from Argentina to Canada, human rights organizations, consumer groups, religious institutions and more.
- During 1999, we drafted "annotated outlines" of each FTAA chapter, sketching out the range of issues to be negotiated in each area of the agreement.
- And then last November in Toronto, we took the decisive and historic step I noted when I began, formally committing ourselves to begin drafting the actual text of the agreement in the year 2000.

AGENDA FOR 2000

The consequence of this decision cannot be overstated. We may recall the words of Franklin Roosevelt, who called for a hemispheric free trade agreement in the first days of his Presidency, and spoke of its human potential in his address to the Inter-American Conference for

the Maintenance of Peace in Buenos Aires:

“Through democratic processes we can strive to achieve for the Americas the highest possible standard of living conditions for all our people -- men and women blessed with political freedom, willing to work and able to find work, rich enough to maintain their families and to educate their children, contented with their lot in life and on terms of friendship with their neighbors.”

This is the goal we have set for the years ahead. In the coming months, our work will intensify, in two separate areas.

1. FTAA Text

First, of course, will be the drafting of the text for each FTAA chapter. Each of the nine groups will be expected to complete this work by the end of the year.

This does not, of course, mean completing the agreement – as in most negotiations, the most difficult issues and political decisions will come at the end. Rather, by the New Year, we expect to draft what we call ‘bracketed’ texts covering the full scope of the FTAA. This will also enable us, we hope, to settle some of the less controversial specific issues. Each of the nine Negotiating Groups has begun its work, and is on schedule to complete the task assigned to it on time. It is of great importance that all the Negotiating Groups remain on schedule, and finish the job on time.

2. Business Facilitation

Second, in parallel with the negotiations on the text, we will implement practical business facilitation measures that bring immediate benefit.

This has been a hallmark of the FTAA process since its beginning. As governments take the policy decisions and draft legal text, we also work with the private sector to implement practical initiatives that ease commerce and help establish long-term trade relationships. This means immediate benefit, and also ensures that even before the FTAA is complete, it will begin fulfilling its potential as a source of prosperity and growth for all 34 participating countries.

Thus, we have already agreed upon and begun to implement measures to ensure, for example, that visa and customs requirements are posted on the web. We are also implementing streamlined customs procedures for express shipments and commercial samples.

We are now looking forward to the next step and some more challenging ideas. These will include a number of proposals of special interest for high technology and the development of hemispheric electronic commerce: adopting measures such as privacy principles in electronic commerce, and recognition of electronic signatures.

THE WORK AHEAD

Fundamentally, the work of our negotiators is on schedule; and the plan we have set for the balance of the year is ambitious but also realistic. But it is also clear that the most difficult negotiations and decisions remain ahead.

The negotiations themselves will be demanding, even if we consider only their technical aspects. We seek a state-of-the-art agreement, going beyond relatively simple if politically sensitive questions on tariffs and market access to address high technology issues, electronic commerce, biotechnology and other highly complex issues.

At the same time, the public -- in the United States and elsewhere -- clearly expects trade policy to respond more effectively than it has in the past to many citizen concerns. This is clear in the range of submissions the Committee on Civil Society received. Our FTAA negotiations must pay appropriate attention to substantive issues like the relationship of trade to core labor standards, and the environment. Just as important, they must remain characterized by transparency and citizen contribution if the results are to be credible.

Most important, the negotiations are now moving away from concepts and frameworks and into the actual agreement itself. As this continues and accelerates, negotiations on timetables and specific commitments will naturally become more intense and emotional, requiring political willpower and some courage from all participants.

That is natural. It occurs in every major trade negotiation. And our responsibility therefore -- as representatives of governments, academia, NGOs or the private sector -- is to make sure that these discussions proceed conscious of the larger vision the FTAA represents: the common aspirations, the commitment to mutual benefit, and the embrace of shared destiny that in the past two decades made the Western Hemisphere the most peaceful and democratic region in the world.

CONCLUSION

The challenges ahead are complex and difficult. But as the work begins, we are building on a remarkable foundation of success -- to which every country participating in the FTAA has made its contribution.

And when we are done, we will transcend all that we have accomplished so far.

The Free Trade Area of the Americas will build closer ties among the people and governments of the hemisphere.

Joined with the appropriate domestic policies, it will create a set of opportunities -- for

prosperity, for rising living standards, and for the quality of life – unmatched in the history of the Americas.

Ultimately, it will help us to realize a dream two centuries old: of a hemisphere united in democracy and peace.

Let history show that we were up to the task.

Thank you.